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TAGS: [ENRG](#) [KNNP](#) [PREL](#) [PTER](#) [RS](#)  
SUBJECT: DOE DEPUTY SECRETARY PONEMAN'S MEETING WITH  
RUSSIAN ENERGY MINISTER SHMATKO ON BILATERAL ENERGY  
COOPERATION

Classified By: Ambassador John R. Beyrle. Reasons 1.4(b), (c) and (d)

11. (C) SUMMARY. DOE Deputy Secretary Poneman and DOE Moscow representatives met with Russian Federation Energy Minister Sergey Shmatko on June 10, 2009 in Moscow to discuss future cooperation in areas of mutual interest to include energy and climate change. During the ninety-minute meeting, Shmatko proposed four potential areas of cooperation based on joint proposals he and DOE Secretary Chu had previously discussed at the May 2009 G8 energy ministerial meeting in Rome. These areas included energy efficiency, clean coal, smart grids, and alternative fuels. Poneman responded that Shmatko's comments tracked closely with Secretary Chu's impression of their meeting in Rome, indicating several areas of mutual interest. Poneman suggested that future cooperation could be pursued under the proposed Inter-Governmental Commission, specifically in the proposed Energy and Environment sub-committee. Poneman also noted that the U.S. side had worked hard in an attempt to bring the 123 Agreement to the point where it could be resubmitted to Congress, but he was not clear how long this opportunity might last. END SUMMARY.

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INTRODUCTORY REMARKS  
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12. (C) Minister Shmatko was relaxed, well briefed, and quickly and clearly outlined his agenda. He frequently referenced a document listing several potential areas of energy and climate change cooperation that Deputy Secretary Poneman had delivered to RF Deputy Energy Minister Yanovskiy earlier in the day. During his introductory remarks, Shmatko noted that his background was in the nuclear industry and that, while Rosatom has the lead in all Russian nuclear matters, he and Rosatom General Director Sergey Kiriyenko cooperate closely in all matters. Shmatko then spoke positively about his Rome meeting with DOE Secretary Chu and mentioned that he had just arrived in Moscow from a Baltic Pipeline System II (BPS) inauguration ceremony in Bryansk, Russia. Shmatko stated that the BPS was necessary as it was Russia's responsibility to diversify supplies and ensure the energy needs of its neighbors. Shmatko chose not to elaborate further on this subject.

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SHAMTKO,S PROPOSAL  
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13. (C) Turning to the way ahead, Shmatko proposed four areas of potential DOE-RF Energy Ministry cooperation including energy efficiency, clean coal, smart grids, and alternative fuels. On energy efficiency, Shmatko said that the Russian State Duma is considering a revolutionary law to incentivize private investment in energy efficiency technologies and added that he sees colossal potential for U.S. and Russian cooperation on this front. On clean coal, Shmatko said that Russia's coal sector has structural problems which cannot be solved without developing clean coal technology. On smart grids, he noted that Russia has ideal conditions to deploy smart grid technology due to its large land mass and obsolete equipment. Regarding alternative fuels, Shmatko stated that Russia has made unique research achievements, but needs new technology to scale them up.

14. (C) Poneman responded that Shmatko's comments tracked closely with Secretary Chu's impression of their meeting in Rome, i.e. that their meetings were brief but substantive, indicating several areas of mutual interest. He noted the advanced work in the U.S. on biofuels, and suggested that Russia could potentially host a carbon capture and storage project as proposed by the G8. Poneman agreed that significant potential exists for bilateral cooperation and that the upcoming July 2009 POTUS visit to Moscow would present an excellent opportunity to advance concrete results.

15. (C) Poneman further suggested that cooperation could be pursued under the proposed Inter-Governmental Commission, specifically in the proposed Energy and Environment sub-committee. Responding to Shmatko's reference to his nuclear background at Atomstroieksport, Poneman also noted the

potential for nuclear power cooperation and the hope that the U.S. and Russia could build a new international architecture for the nuclear fuel cycle. Shmatko specifically asked if Poneman was referring to the 123 Agreement and Poneman replied that he was. Poneman added that the U.S. side had worked hard in an attempt to bring the agreement to the point where it could be resubmitted to Congress, but that it was

not clear how long this opportunity might last. Poneman finished by asking the Minister what the two sides should do in the next month before the presidents meet.

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FROM SCIENCE TO INDUSTRY  
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16. (C) Shmatko mentioned that he had read the DOE paper given to Yanovskiy by Poneman earlier on June 10 (attached), and that it meshed with his proposals. Shmatko then agreed to do his homework and said he would respond to the DOE energy and climate change cooperation paper suggesting possible areas of cooperation, but he did not provide a timeline. Shmatko proposed that both sides could potentially sign a Memorandum of Understanding (MOU) outlining areas of cooperation and setting forth clear goals and firm deadlines; form a working group at the ministerial level to develop a work plan within six months of the Presidential Summit; and ensure that government-to-government efforts are designed in a manner to support commercial involvement. Shmatko also suggested that a joint agency<sup>8</sup> could be set up to carry out the work plan. (Comment: Shmatko likely refers to a joint agency structure along the lines of the recently established Russian-German energy efficiency agency in Moscow. Shmatko specifically mentioned it at the beginning of the meeting. End Comment) Shmatko emphasized that he wanted to avoid politicization of any future joint DOE/RF efforts and that he desired to transition the results of such a venture into commercial applications as soon as possible.

17. (C) Poneman replied that Shmatko had presented an important proposal that would require serious consideration and response by U.S. agencies and the White House, but caveated his remark by saying he (Poneman) could not respond

formally during the meeting. Poneman closed by saying that while the U.S. and Russia are broadening energy cooperation to new areas that had arisen in the G8 Energy Ministerial, the focus of the June 10 meeting on new issues was in no way aimed at displacing longstanding channels of communication on other energy issues such as nuclear and hydrocarbons. Poneman noted that Special Envoy Morningstar would be traveling to the Russian Federation during the week of June 15 and that Ambassador Morningstar looked forward to meeting with Shmatko at that time. Shmatko ended the meeting by saying that it appeared both sides have similar positions.

18. (SBU) Deputy Secretary Poneman has cleared on this cable.

(SBU) ATTACHMENT

#### Potential Areas for Energy and Climate Change Cooperation (non-paper)

**Energy Efficiency.** Share challenges and exchange best policy practice in developing building codes and other standards in the industrial and residential sectors, as well as training for energy audits. Exchange knowledge on how to improve energy conservation in federal buildings. Reach beyond Washington and Moscow to engage local governments through an Energy Efficiency Blueprint program between &twinned8 municipal governments, whereby experts in each locality pursue projects in parallel and exchange their experience and lessons learned. Exchange views on how best to advance energy efficiency through market practices.

**Renewable Energy.** Discuss ways to promote distributed generation of power from renewable energy sources in remote areas. Identify barriers to the development of wind power. Share expertise on the development of second-generation biofuels and explore options for developing sustainable woody biomass utilization (e.g., harvesting forest brush and debris) to provide carbon-neutral energy and decrease air pollution. Explore potential cooperation on solar,

geothermal,, and/or tidal energy.

**Clean Energy Innovations.** Pursue joint R&D activities between our scientific establishments. Partner with Russia on &clean-coal8 technology. Cooperate on developing technologies that will bridge the transition to a low-carbon economy, including carbon capture and storage. Jointly commit to active participation in the Carbon Sequestration Leadership Forum. Discuss possibility that Russia could host one of the 20 full-scale demonstration projects the G-8 intends to launch by 2010.

**Energy Investment Environment.** Assess ways to implement the G-8,s St. Petersburg Energy Security Principles, developed under Russian leadership, to create open and transparent market conditions that attract private sector investment and competition into the global energy sector, including both the U.S. and Russian energy sectors.

**Global Climate Change.** Share information on the U.S. government,s experience regulating SO2 and NOx through a cap and trade program, as Russia has signaled its intention to develop market mechanisms as part of its recent draft &climate doctrine.8 Explore possibilities for joint work to help developing countries meet mitigation and adaptation challenges.

**Gas Flaring Reduction.** Seek ways to advance efforts to reduce the volume of natural gas Russian oil producers flare each year, as this is the source of as much as 10 percent of Russia,s annual greenhouse-gas emissions and a significant source of air pollution.

**Oil and Gas System Efficiency.** Expand current bilateral efforts under the Methane to Markets Partnership and advance technical cooperation to improve efficiency in the oil and natural gas sectors to reduce leaks and losses of methane and increase natural gas sales.

**Coal Mine Methane Capture and Utilization.** Advance ongoing efforts and cooperation under the Methane to Markets Partnership to recover and utilize coal mine methane as a clean energy source

**Power Sector Infrastructure.** Pursue collaboration on

improving the efficiency of generation, transmission, and distribution sector operations, including improvements to power system stability and load management as well as efficiency gains through the implementation new grid technologies.

Liquefied Natural Gas (LNG). Discuss cooperation on the commercial development of additional LNG supplies including liquefaction facilities in Russia, particularly in the northern European portions of Russia, as one tool to pursue mutual goals in energy security and to increase market flexibility and diversity.

Arctic Cooperation. Jointly discuss ways to preserve the environment and protect indigenous populations while pursuing appropriate development in the Far North, in coordination with our joint membership and growing cooperation in the Arctic Council.

Data Exchange. Periodically exchange analysis and projections of energy and electricity demand, production, and pricing.

BEYRLE